

Message Text

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C O N F I D E N T I A L MOSCOW 6388

E.O. 11652 GDS

TAGS: ETRD, EEWT, EFIN, UR, US

SUBJECT: SOVIETS SETTLE OVERDUE ACCOUNTS WITH US COMPANY AND
PLACE NEW ORDERS

USDOC FOR BEWT/TDAD AND BEWT/USSR

REF: MOSCOW 5577

1. AS REPORTED REFTEL, COMMERCIAL OFFICE LEARNED THAT SOVIET FOREIGN TRADE ORGANIZATION AVTOPROMIMPORT HAD FALLEN SEVERAL MONTHS BEHIND IN ITS PAYMENTS TO US FIRM LASALLE MACHINE TOOL FOR KAMAZ EQUIPMENT. LASALLE PRESIDENT ROBERT SATTLER INFORMED COMMATT APRIL 14 THAT APRIL 10-11 VISIT TO KAMAZ HAD PROVIDED OPPORTUNITY TO RAISE PROBLEM WITH KAMAZ DIRECTOR (AND DEPUTY MINISTER OF AUTOMOBILE INDUSTRY) VASI'YEV. AVTOPROMIMPORT OFFICIALS, WHO WERE PRESENT AT SATTLER'S MEETING WITH VASIL'YEV, WERE EXTREMELY EMBARRASSED BUT EVENTUALLY ADMITTED THAT THEY HAD FALLEN BEHIND IN PAYMENTS AND PROMISED TO MAKE UP AMOUNTS DUE.

2. DURING SATTLER'S VISIT, LASALLE AND AVTOPROMIMPORT REACHED PRELIMINARY AGREEMENT ON TWO ADDITIONAL CONTRACT VALUED AT ABOUT 5 MILLION DOLLARS EACH. ASKED TO EXPLAIN APPARENT CONTRADICTION BETWEEN AVTOPROMIMPORT'S PROBLEMS IN PAYING FOR EXISTING ORDERS AND ITS INTEREST IN BUYING MORE EQUIPMENT, SATTLER POINTED OUT
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THAT PAYMENT TERMS FOR NEW ORDERS REMAINED TO BE AGREED. HE

NOTED THAT SOVIETS WERE MAKING MAJOR EFFORT TO PERSUADE LASALLE TO PRODUCE EQUIPMENT IN CANADA OR TO ARRANGE FOR PAYMENT THROUGH USE OF FIVE-YEAR PROMISSORY NOTES. SATTLER SAID LASALLE WOULD PROBABLY FOLLOW LATTER TECHNIQUE, PARTICULARLY SINCE DISCUSSION WITH CANADIAN ECONOMIC DEVELOPMENT COMMISSION (EDC) REVEALED THAT COST TO EXPORTER OF CANADIAN CREDITS WOULD BE IN RANGE OF 1.5-2.0 PERCENT. (COMMENT: SATTLER REPORTED THAT HE INFORMED SOVIETS THAT CONDITIONS OF CANADIAN CREDITS WERE SOMEWHAT LESS FAVORABLE THAN THEY HAD BEEN LED TO BELIEVE SINCE EXPORTER WOULD DOUBTLESS ATTEMPT TO PASS ON FINANCING CHARGES TO BUYER. SOVIETS WERE "ASTONISHED" TO LEARN THAT THEY MIGHT END UP PAYING EQUIVALENT OF 9.5 PERCENT FOR CANADIAN CREDITS. END COMMENT).

3. IN CONFIRMATION OF REPORT (REFTEL) PASSED ALONG BY FIAT-ALLIS REP REGARDING SOVIET EFFORTS TO OBTAIN SHORT-TERM (ONE YEAR) FINANCING FOR ORDERS ORIGINALY CONCLUDED FOR CAST PAYMENTS, INTERNATIONAL-HARVESTER REPS ADVISED COMMATT APRIL 19 THAT THEIR COMPANY HAD RECEIVED SIMILAR REQUEST.

4. COMMENT: ALTHOUGH EVIDENCE TO DATE IS NOT CONCLUSIVE, IT WOULD APPEAR THAT SOVIETS HAVE RUN INTO SOME SHORT-TERM TIGHTNESS IN THEIR HARD-CURRENCY ACCOUNTS WHICH MAKES IT WORTH THIER WHILE: A) TO SEEK WHAT AMOUNTS TO ONE-YEAR ROLL-OVER, AT COMMERCIAL INTEREST RATES, FOR SOME MACHINERY PURCHASES; AND 2) TO USE VARIOUS DELAYING TACTICS TO AVOID PAYING BILLS WHEN THEY COME DUE. HOEVER, AS LASALLE CASE DOMONTRATES,WHEN PRESSED AT SUFFICIENTLY HIGH LEVEL SOVIETS HAVE NO PROBLEM COMING THROUGH WITH CASH. STOESSL

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